

**REPORT OF THE AUDIT OF THE
MADISON COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2004**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE MADISON COUNTY FISCAL COURT

June 30, 2004

The Auditor of Public Accounts has completed the audit of the Madison County Fiscal Court for fiscal year ended June 30, 2004. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information. In accordance with OMB Circular A-133, we have issued an unqualified opinion on the compliance requirements that are applicable to Madison County's major federal program, Chemical Emergency Preparedness Program (CSEPP), for the year ended June 30, 2004.

Financial Condition:

The county had total net assets of \$21,785,256 as of June 30, 2004. The fiscal court had unrestricted net assets of \$7,137,145 in its governmental activities as of June 30, 2004, with total net assets of \$21,735,071. In its enterprise fund, total net cash and cash equivalents were \$50,185 with total net assets of \$50,185. Total debt principal as of June 30, 2004, was \$7,394,125 with \$218,537 due within the next year.

Report Comments:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- The County Should Amend Budget For Expenditures Of Unanticipated Receipts

Deposits:

As of August 31, 2003, \$153,224 of the fiscal court's deposits were uninsured and uncollateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Ernie Fletcher, Governor
Robbie Rudolph, Secretary
Finance and Administration Cabinet
Honorable Kent Clark, Madison County Judge/Executive
Members of the Madison County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Madison County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, Madison County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison County, Kentucky, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky
Honorable Ernie Fletcher, Governor
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Members of the Madison County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Madison County, Kentucky's basic financial statements. The accompanying supplementary information, combining and individual fund financial statements are presented for additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and the schedule of federal expenditures have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated November 15, 2004 on our consideration of Madison County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Based on the results of our audit, we present the schedule of findings and questioned costs, included herein, which discusses the following report comments:

- The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- The County Should Amend Budget For Expenditures Of Unanticipated Receipts

Respectfully submitted,



Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 15, 2004

MADISON COUNTY OFFICIALS

For The Year Ended June 30, 2004

Fiscal Court Members:

Kent Clark	County Judge/Executive
Larry Combs	Magistrate
Billy Ray Hughes	Magistrate
Roger D. Barger	Magistrate
William H. Tudor	Magistrate

Other Elected Officials:

Marc Robbins	County Attorney
Ron Devere	Jailer
William E. Gabbard	County Clerk
Linda Cates	Circuit Court Clerk
Cecil Cochran	Sheriff
Stephen M. Smith	Property Valuation Administrator
James A. Cornelison	Coroner

Appointed Personnel:

Glenna Baker	County Treasurer
Shirl Cross	Occupational Tax Collector/ Finance Officer

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MADISON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

MADISON COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	Primary Government		
	Governmental	Business-Type	
	Activities	Activities	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 4,098,645	\$ 50,185	\$ 4,148,830
Investments	3,038,500		3,038,500
Total Current Assets	7,137,145	50,185	7,187,330
Noncurrent Assets:			
Capital Assets - Net of			
Accumulated Depreciation			
Construction in Progress	3,101,897		3,101,897
Land	3,107,685		3,107,685
Buildings	7,526,774		7,526,774
Other Equipment	538,807		538,807
Vehicles and Equipment	1,134,592		1,134,592
Infrastructure Assets - Net			
of Depreciation	6,582,296		6,582,296
Total Noncurrent Assets	21,992,051		21,992,051
Total Assets	29,129,196	50,185	29,179,381
LIABILITIES			
Current Liabilities:			
Bonds Payable	5,000		5,000
Financing Obligations Payable	213,537		213,537
Total Current Liabilities	218,537		218,537
Noncurrent Liabilities:			
Bonds Payable	4,935,000		4,935,000
Financing Obligations Payable	2,240,588		2,240,588
Total Noncurrent Liabilities	7,175,588		7,175,588
Total Liabilities	7,394,125		7,394,125
NET ASSETS			
Invested in Capital Assets,			
Net of Related Debt	14,597,926		14,597,926
Unrestricted	7,137,145	50,185	7,187,330
Total Net Assets	\$ 21,735,071	\$ 50,185	\$ 21,785,256

The accompanying notes are an integral part of the financial statements.

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MADISON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

MADISON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Functions/Programs Reporting Entity	Expenses	Program Revenues Received		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 3,207,105	\$ 485,011	\$ 526,683	\$ 1,512,556
Protection to Persons and Property	5,794,925	762,989	2,978,422	126,440
General Health and Sanitation	376,078	31,425		
Social Services	120,736			
Recreation and Culture	467,199	113,273		
Roads	1,788,310		1,587,819	276,407
Interest on Long-term and Short-term Debt	300,085			
Capital Projects	99,194			
Total Governmental Activities	12,153,632	1,392,698	5,092,924	1,915,403
Business-type Activities:				
Jail Canteen Fund	246,144	268,991		
Total Business-type Activities	246,144	268,991		
Total Primary Government	\$ 12,399,776	\$ 1,661,689	\$ 5,092,924	\$ 1,915,403

General Revenues:

Taxes:

Real Property Taxes
Personal Property Taxes
Motor Vehicle Taxes and Licenses
Occupational Taxes
Other Taxes

Excess Fees

Intergovernmental Revenues

Not Restricted

Unrestricted Investment Earnings

Other Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.

MADISON COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

Net (Expenses) Revenues and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-Type Activities	Totals
\$ (682,855)	\$	\$ (682,855)
(1,927,074)		(1,927,074)
(344,653)		(344,653)
(120,736)		(120,736)
(353,926)		(353,926)
75,916		75,916
(300,085)		(300,085)
(99,194)		(99,194)
(3,752,607)		(3,752,607)
	22,847	22,847
	22,847	22,847
\$ (3,752,607)	\$ 22,847	\$ (3,729,760)
1,823,029		1,823,029
282,587		282,587
366,462		366,462
1,692,663		1,692,663
795,971		795,971
532,059		532,059
366,966		366,966
246,681	151	246,832
435,552		435,552
6,541,970	151	6,542,121
2,789,363	22,998	2,812,361
18,945,708	27,187	18,972,895
\$ 21,735,071	\$ 50,185	\$ 21,785,256

The accompanying notes are an integral part of the financial statements.

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MADISON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

MADISON COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	General Fund	Road And Bridge Fund	CSEPP Fund	Non- Major Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	\$ 3,127,240	\$ 31,309	\$ 220,937	\$ 719,159	\$ 4,098,645
Investments	3,038,500				3,038,500
Total Assets	<u>\$ 6,165,740</u>	<u>\$ 31,309</u>	<u>\$ 220,937</u>	<u>\$ 719,159</u>	<u>\$ 7,137,145</u>
FUND BALANCES					
Fund Balances:					
Reserved for:					
Encumbrances	\$ 3,643	\$	\$	\$ 267	\$ 3,910
Unreserved:					
General Fund	6,162,097				6,162,097
Special Revenue Fund		31,309	220,937	718,892	971,138
Total Fund Balances	<u>\$ 6,165,740</u>	<u>\$ 31,309</u>	<u>\$ 220,937</u>	<u>\$ 719,159</u>	<u>\$ 7,137,145</u>

**Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets:**

Total Fund Balances	\$ 7,137,145
Amounts Reported for Governmental Activities in the Statement of Net Assets	
Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	26,191,942
Accumulated Depreciation	(4,199,891)
Liabilities:	
Due Within One Year - Bonds, Notes, and Other Principal Payments	(218,537)
Due in More Than One Year - Bonds, Notes, and Other Principal Payments	(7,175,588)
Net Assets of Governmental Activities	<u>\$ 21,735,071</u>

The accompanying notes are an integral part of the financial statements.

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MADISON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

MADISON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>General Fund</u>	<u>Road And Bridge Fund</u>	<u>CSEPP Fund</u>
REVENUES			
Taxes	\$ 4,760,117	\$ 1,657,636	
Excess Fees	532,059		
Licenses and Permits	382,205		
Intergovernmental	2,549,438		2,381,407
Charges for Services	31,425		34,720
Miscellaneous	503,128	109,561	26,876
Interest	239,956	735	304
Total Revenues	<u>8,998,328</u>	<u>1,767,932</u>	<u>2,443,307</u>
EXPENDITURES			
General Government	1,453,880		
Protection to Persons and Property	1,433,811		2,682,779
General Health and Sanitation	364,670		
Social Services	120,736		
Recreation and Culture	685,393		
Roads		2,282,519	
Debt Service	508,209		
Capital Projects	3,653,833		
Administration	1,155,863	188,360	73,000
Total Expenditures	<u>9,376,395</u>	<u>2,470,879</u>	<u>2,755,779</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(378,067)</u>	<u>(702,947)</u>	<u>(312,472)</u>
Other Financing Sources (Uses)			
Bond Proceeds	1,635,000		
Transfers from Other Funds	133,064	570,000	
Transfers to Other Funds	(844,000)		(100,000)
Total Other Financing Sources (Uses)	<u>924,064</u>	<u>570,000</u>	<u>(100,000)</u>
Net Change in Fund Balances	545,997	(132,947)	(412,472)
Fund Balances - Beginning (Restated)	5,619,743	164,256	633,409
Fund Balances - Ending	<u>\$ 6,165,740</u>	<u>\$ 31,309</u>	<u>\$ 220,937</u>

The accompanying notes are an integral part of the financial statements.

MADISON COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2004
(Continued)

	Non- Major Funds	Total Governmental Funds
REVENUES		
Taxes	\$ 200,595	\$ 6,618,348
Excess Fees		532,059
Licenses and Permits		382,205
Intergovernmental	1,367,147	6,297,992
Charges for Services	148,954	215,099
Miscellaneous	11,046	650,611
Interest	5,686	246,681
Total Revenues	<u>1,733,428</u>	<u>14,942,995</u>
EXPENDITURES		
General Government		1,453,880
Protection to Persons and Property	1,688,619	5,805,209
General Health and Sanitation		364,670
Social Services		120,736
Recreation and Culture		685,393
Roads		2,282,519
Debt Service		508,209
Capital Projects		3,653,833
Administration	238,262	1,655,485
Total Expenditures	<u>1,926,881</u>	<u>16,529,934</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(193,453)</u>	<u>(1,586,939)</u>
Other Financing Sources (Uses)		
Bond Proceeds		1,635,000
Transfers from Other Funds	274,000	977,064
Transfers to Other Funds	(33,064)	(977,064)
Total Other Financing Sources (Uses)	<u>240,936</u>	<u>1,635,000</u>
Net Change in Fund Balances	47,483	48,061
Fund Balances - Beginning (Restated)	671,676	7,089,084
Fund Balances - Ending	<u>\$ 719,159</u>	<u>\$ 7,137,145</u>

The accompanying notes are an integral part of the financial statements.

**MADISON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2004

MADISON COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

Net Change in Fund Balances - Total Governmental Funds	\$	48,061
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Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Are Allocated Over their Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay		4,861,765
Depreciation Expense		(860,456)
Bond Proceeds		(1,635,000)
KACO and KADD Financing Obligations and Bond Principal Payments are Expensed in the Governmental Funds as a Use of Current Financial Resources.		
KACO Financing Obligations		194,993
KADD Financing Obligations		175,000
Bond Payments		5,000

Change in Net Assets of Governmental Activities	\$	2,789,363
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The accompanying notes are an integral part of the financial statements.

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MADISON COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

MADISON COUNTY
STATEMENT OF FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Assets	
Current Assets:	
Cash and Cash Equivalents	\$ 50,185
Total Current Assets	<u>50,185</u>
Net Assets	
Unrestricted	50,185
Total Net Assets	<u><u>\$ 50,185</u></u>

The accompanying notes are an integral part of the financial statements.

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MADISON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

MADISON COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Operating Revenues	
Canteen Receipts	\$ 268,991
Total Operating Revenue	<u>268,991</u>
Operating Expenses	
Cost of Sales	209,854
Educational and Recreational	12,188
Inmate Medical Payments	12,102
Personnel Costs	<u>12,000</u>
Total Operating Expenses	<u>246,144</u>
Operating Income	<u>22,847</u>
Nonoperating Revenues	
Interest Income	<u>151</u>
Total Nonoperating Revenues	<u>151</u>
Change in Net Assets	<u>22,998</u>
Total Net Assets - Beginning	<u>27,187</u>
Total Net Assets - Ending	<u><u>\$ 50,185</u></u>

The accompanying notes are an integral part of the financial statements.

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MADISON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2004

MADISON COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2004

	<u>Enterprise Fund</u>
	<u>Jail Canteen Fund</u>
Cash Flows from Operating Activities	
Receipts From Inmates	\$ 268,991
Cost of Sales	(209,854)
Educational and Recreational	(12,188)
Inmate Medical Payments	(12,102)
Personnel Costs	(12,000)
Net Cash Provided by Operating Activities	<u>22,847</u>
Cash Flows from Investing Activities	
Interest Earned	<u>151</u>
Net Cash Provided by Investing Activities	<u>151</u>
Net Increase in Cash and Cash Equivalents	22,998
Cash and Cash Equivalents - July 1	<u>27,187</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 50,185</u></u>
 Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income	<u>\$ 515,135</u>
Net Cash Provided by Operating Activities	<u><u>\$ 515,135</u></u>

The accompanying notes are an integral part of the financial statements.

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**MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS**

June 30, 2004

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government wide and fund financial statements utilizing a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Madison County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service.

Additional - Madison County Elected Officials

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

Kentucky law provides for election of the above officials from the geographic area constituting Madison County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Fiduciary Funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt – consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets – resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; 3) unrestricted net assets – those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function, 2) operating grants and contributions and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary funds) and whose total assets, liabilities, revenues or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as a major fund.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The government reports the following major governmental funds:

General Fund - This is the primary operating fund of the Fiscal Court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Road and Bridge Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the Fiscal Court to maintain these receipts and expenditures separately from the General Fund.

Chemical Stockpile Emergency Preparedness Program (CSEPP) Fund – This fund is to be used to improve Madison County's capacity to plan for and respond to accidents associated with the storage and ultimate disposal of chemical warfare materials located at the Bluegrass Army Depot. The U.S. Congress appropriates funding for reimbursement of CSEPP expenditures. CSEPP funds may not be commingled with other funds.

The government also has the following nonmajor funds: Jail Fund, Local Government Economic Assistance Fund, Goggins Lane Bridge Fund, CDBG Fund, and E-911 Fund, which are presented as Special Revenue Funds. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, due with 2% discount if paid by November 1, due at face value if paid by December 31, delinquent on and after January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The principal operating revenues of the county's enterprise fund are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise fund include the cost of sales and services and administrative expenses. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

E. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land and Buildings	\$ 50,000	10-60
Vehicles	5,000	3-5
Machinery and Equipment	5,000	3-20
Infrastructure	10,000	10-50

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, KADD Financing Trust and KACO Leasing Trust financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

G. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose and encumbrances.

"Reserved for Encumbrances" are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the statement of net assets and statement of activities, however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

H. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

I. Related Organization

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization's governing board. Based on these criteria, the following are considered related organizations of Madison County Fiscal Court: Madison County Utility District, Madison County Sanitation District #2, North Madison County Sanitation District, Southern Madison Water District, and Kirksville Water District.

J. Jointly Governed Organizations

The Madison County Airport Board, Inc., whose purpose is to oversee the day-to-day operations of the airport, is a joint board of the County and the cities of Berea and Richmond. The County Judge/Executive with the approval of the fiscal court appoints two members, the Mayor of Berea with the approval of the City Council appoints two members, and the Mayor of Richmond with the approval of the City Council appoints two members. The County has no equity interest. The County contributed \$14,200 to the Madison County Airport Board, Inc. for the year ended June 30, 2004.

Note 2. Deposits and Investments

A. Deposits

The county maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC). According to KRS 66.480(1)(d) and KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution. However, as of August 31, 2003, the collateral and FDIC insurance together did not equal or exceed the amount on deposit, leaving \$153,224 of public funds uninsured and unsecured. In addition, the county did not have a written agreement with all depository institutions securing the county's interest in the collateral.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 2. Deposits and Investments (Continued)

A. Deposits (Continued)

The county's deposits are categorized below to give an indication of the level of risk assumed by the county as of August 31, 2003.

	<u>Bank Balance</u>
Insured by FDIC	\$ 1,088,574
Collateralized with securities held by the county's agent in the county's name	4,459,770
Collateralized with surety bond	355,000
Uncollateralized and uninsured	<u>153,224</u>
Total	<u><u>\$ 6,056,568</u></u>

B. Investments

The county's investments are categorized below to give an indication of the level of risk assumed by the county at year-end. Category 1 includes investments that are insured or registered or the securities are held by the county or by the county's agent in the county's name. Category 2 includes uninsured and unregistered investments where the securities are held by the financial institution in the county's name. Category 3 includes uninsured and unregistered investments where the securities were held by the financial institution, but not in the county's name. The county's investments are considered Category 1.

Types of Investments	<u>Category</u> 1	Carrying Amount	Market Value
Federal Home Loan Banks			
Consolidated Bond	\$ 835,000	\$ 835,000	\$ 841,089
Federal Home Loan Mortgage Corporation Medium Term Note	883,000	883,000	873,368
Federal National Mortgage Association Medium Term Note	<u>1,320,500</u>	<u>1,320,500</u>	<u>1,243,373</u>
Totals	<u><u>\$ 3,038,500</u></u>	<u><u>\$ 3,038,500</u></u>	<u><u>\$ 2,957,830</u></u>

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2004 was as follows:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 962,500	\$ 2,145,185	\$	\$ 3,107,685
Construction in Progress	1,920,736	1,181,161		3,101,897
Total Capital Assets Not Being Depreciated	2,883,236	3,326,346		6,209,582
Capital Assets, Being Depreciated:				
Buildings	8,980,178	220,341		9,200,519
Other Equipment	884,072	141,665		1,025,737
Vehicles and Equipment	1,640,139	171,690		1,811,829
Infrastructure	6,942,552	1,001,723		7,944,275
Total Capital Assets Being Depreciated	18,446,941	1,535,419		19,982,360
Less Accumulated Depreciation for:				
Buildings	(1,503,740)	(170,005)		(1,673,745)
Other Equipment	(379,781)	(107,149)		(486,930)
Vehicles and Equipment	(512,037)	(165,200)		(677,237)
Infrastructure	(943,877)	(418,102)		(1,361,979)
Total Accumulated Depreciation	(3,339,435)	(860,456)		(4,199,891)
Total Capital Assets, Being Depreciated, Net	15,107,506	674,963		15,782,469
Government Activities Capital Assets, Net	\$17,990,742	\$ 4,001,309	\$ 0	\$21,992,051

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

General Government	\$ 161,576
Protection to Persons and Property	164,704
General Health and Sanitation	11,408
Recreation and Culture	15,254
Roads, Including Depreciation of General Infrastructure Assets	<u>507,514</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 860,456</u>

Note 4. Short-term Debt

In July 2003, Madison County participated in the Kentucky Association of Counties Kentucky Advance Revenue Program by issuing a note in the amount of \$4,838,400, with principal being due in January 2004. While the County did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$1,035.

In February 2004, the Madison County Fiscal Court borrowed \$1,100,000 for the purpose of purchasing a golf course. The short-term promissory note was paid in full in April 2004 from the proceeds of the General Obligation Public Project Bonds, Series 2004. (Note 4. B.) Interest on Long-term and Short-term Debt on the Statement of Activities includes \$4,877 in interest on the short-term borrowing.

Changes in Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance
<u>Governmental Activities:</u>				
Kentucky Advance Revenue Program	\$ 0	\$4,838,400	\$ 4,838,400	\$ 0
Promissory Note Payable	\$ 0	\$1,100,000	\$ 1,100,000	0
Governmental Activities Short-term Liabilities	<u>\$ 0</u>	<u>\$ 5,938,400</u>	<u>\$ 5,938,400</u>	<u>\$ 0</u>

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt

A. General Obligation Bonds, Series 2001

Bonds outstanding of the General Fund were \$3,305,000 of General Obligation Funding and Improvement Bonds issued on August 1, 2001, with interest rates of 4.15% through 4.875% payable semiannually. The total issue of the bonds was \$3,320,000 with principal paid annually April 1. The bonds fully amortize by April 1, 2021. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2005	160,865	5,000
2006	160,657	5,000
2007	160,450	5,000
2008	160,243	5,000
2009	160,035	5,000
2010-2014	796,953	25,000
2015-2019	790,968	25,000
2020-2021	314,681	3,230,000
Totals	<u>2,704,852</u>	<u>\$ 3,305,000</u>

B. General Obligation Public Project Bonds, Series 2004

Bonds outstanding of the General Fund were \$1,635,000 of General Obligation Public Project Bonds issued on April 1, 2004, with interest rates of 1.50% through 4.60% payable semiannually. The total issue of the bonds was \$1,635,000 with principal paid annually March 1. The bonds fully amortize by March 1, 2034. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2005	\$ 67,337	
2006	67,337	\$ 30,000
2007	66,888	35,000
2008	66,258	35,000
2009	65,505	35,000
2010-2014	312,328	190,000
2015-2019	275,772	225,000
2020-2024	223,388	280,000
2025-2029	153,977	355,000
2030-2034	64,400	450,000
Totals	<u>\$ 1,363,190</u>	<u>\$ 1,635,000</u>

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

C. Extension Building

On July 2, 1996, Madison County Fiscal Court entered into a 23-year leasing agreement with KACo Leasing Trust for the Madison County Extension Building. Principal payments are due monthly. The county has made \$425,000 in additional principal payments thereby reducing the term of the lease by six years. The principal outstanding as of June 30, 2004 was \$40,266. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Payment</u>
2005	\$ 1,244	\$ 4,695
2006	1,137	3,756
2007	1,029	3,938
2008	918	4,129
2009	800	4,330
2010-2014	1,883	19,418
Totals	<u>\$ 7,011</u>	<u>\$ 40,266</u>

D. Fire Station

On August 6, 1997, the Madison County Fiscal Court entered into a 15-year leasing agreement with KACo Leasing Trust for the construction of a fire station. Principal payments are due monthly. The principal outstanding as of June 30, 2004 was \$318,859. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Payments</u>
2005	\$ 8,779	\$ 33,842
2006	7,795	35,179
2007	6,758	36,569
2008	5,688	38,015
2009	4,550	39,517
2010-2013	6,526	135,737
Totals	<u>\$ 40,096</u>	<u>\$ 318,859</u>

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

E. HVAC System

On February 12, 1998, the Madison County Fiscal Court entered into a 20-year leasing agreement with the KADD Financing Trust for the replacement of the HVAC system in the courthouse and related improvements and replacements. Principal payments are due annually by November 20. The principal outstanding as of June 30, 2004 was \$585,000. The schedule below sets forth Madison County's future principal and interest requirements after deducting AOC's rental payment:

Fiscal Year Ending June 30	Principal Payment	Scheduled Interest and Bank Charges	Total Payment	Less AOC Rental Amount*	Net Amount Due From County
2005	\$ 30,000	\$ 30,960	\$ 60,960	\$ (23,696)	\$ 37,264
2006	30,000	29,482	59,482	(23,696)	35,786
2007	30,000	27,968	57,968	(23,696)	34,272
2008	35,000	26,326	61,326	(23,696)	37,630
2009	35,000	24,559	59,559	(23,696)	35,863
2010- 2014	210,000	91,289	301,289	(118,480)	182,809
2015- 2018	215,000	26,836	241,836	(82,936)	158,900
Totals	<u>\$ 585,000</u>	<u>\$ 257,420</u>	<u>\$ 842,420</u>	<u>\$ (319,896)</u>	<u>\$ 522,524</u>

* In accordance with a sublease agreement between Administrative Office of the Courts (AOC) and the Madison County Fiscal Court dated March 1, 1998, AOC committed itself to participate in providing part of the costs of replacing the HVAC system in the courthouse and related improvements through use allowance payments.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

F. Family Court Facilities Project

On July 20, 2000, the Madison County Fiscal Court entered into a 17-year leasing agreement with KADD Financing Trust for the construction costs of the family court facilities project. Principal payments are due annually by May 20. The principal outstanding as of June 30, 2004 was \$1,015,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Amount</u>
2005	\$ 56,176	\$ 55,000
2006	53,483	60,000
2007	50,406	60,000
2008	47,331	65,000
2009	44,000	70,000
2010-2014	160,921	400,000
2015-2017	37,215	305,000
Totals	<u>\$ 449,532</u>	<u>\$ 1,015,000</u>

G. Road/Fire Equipment

On July 31, 2002, the Madison County Fiscal Court entered into a 7-year leasing arrangement with KADD Financing Trust. The proceeds of the lease were used to refinance a previous lease dated April 21, 1999 and to purchase additional road and fire equipment. Principal payments are due annually by April 20. The principal outstanding as of June 30, 2004 was \$495,000. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Interest</u>	<u>Principal Payments</u>
2005	\$ 20,930	\$ 90,000
2006	17,420	100,000
2007	13,420	100,000
2008	9,320	100,000
2009	5,120	105,000
Totals	<u>\$ 66,210</u>	<u>\$ 495,000</u>

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 5. Long-term Debt (Continued)

H. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<u>Governmental Activities:</u>					
General Obligation Refunding and Improvement Bonds	\$ 3,310,000		\$ 5,000	\$ 3,305,000	\$ 5,000
General Obligation Public Project Bonds		\$ 1,635,000		1,635,000	
KACO Financing Obligations	554,118		194,993	359,125	38,537
KADD Financing Obligations	<u>2,270,000</u>		<u>175,000</u>	<u>2,095,000</u>	<u>175,000</u>
Governmental Activities Long-term Liabilities	<u>\$ 6,134,118</u>	<u>\$ 1,635,000</u>	<u>\$ 374,993</u>	<u>\$ 7,394,125</u>	<u>\$ 218,537</u>

Note 6. Employee Retirement System

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 7.34 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 18.51 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

MADISON COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2004
(Continued)

Note 7. Insurance

For the fiscal year ended June 30, 2004, Madison County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Prior Period Adjustments

The beginning fund balance of \$7,089,084 includes prior period adjustments of \$5,182 for prior year voided checks.

Note 9. Interfund Transfers

The following transfers were made during the year:

<u>From Fund</u>	<u>To Fund</u>	<u>Purpose</u>	<u>Amount</u>
CSEPP	General	CSEPP-Approved Safety City Project	\$ 100,000
CDBG	General	Close Out Grant Account	557
Goggins Lane Bridge	General	Close Out Dormant Account	32,507
General	Road	Support for Road and Bridge Activities	570,000
General	Jail	Support for Jail Operations	274,000
			<u>\$ 977,064</u>

Note 10. Subsequent Events

Madison County authorized its General Obligation Improvement Bonds, Series 2004B, dated October 1, 2004, in the principal amount of \$5,500,000 for the purpose of constructing a new courthouse annex building to house county services.

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MADISON COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
REQUIRED SUPPLEMENTARY INFORMATION

For The Year Ended June 30, 2004

MADISON COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis

For The Year Ended June 30, 2004

GENERAL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,425,100	\$ 4,425,100	\$ 4,760,117	\$ 335,017
Excess Fees	350,000	461,500	532,059	70,559
Licenses and Permits	467,000	467,000	382,205	(84,795)
Intergovernmental Revenue	1,825,010	2,913,665	2,549,438	(364,227)
Charges for Services	33,000	33,000	31,425	(1,575)
Miscellaneous	277,320	357,778	503,128	145,350
Interest	233,000	233,000	239,956	6,956
Total Revenues	7,610,430	8,891,043	8,998,328	107,285
EXPENDITURES				
General Government	1,020,549	1,504,496	1,453,880	50,616
Protection to Persons and Property	1,381,458	1,475,531	1,433,811	41,720
General Health and Sanitation	377,762	448,225	364,670	83,555
Social Services	150,850	152,530	120,736	31,794
Recreation and Culture	109,467	698,911	685,393	13,518
Debt Service	633,690	476,109	508,209	(32,100)
Capital Projects	2,549,000	2,803,652	3,653,833	(850,181)
Administration	1,285,838	1,147,216	1,155,863	(8,647)
Total Expenditures	7,508,614	8,706,670	9,376,395	(669,725)
Excess (Deficiency) of Revenues				
Over Expenditures	101,816	184,373	(378,067)	(562,440)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds			1,635,000	1,635,000
Transfers in from Other Funds			133,064	133,064
Transfers Out to Other Funds	(801,816)	(801,816)	(844,000)	(42,184)
Total Other Financing Sources and Uses	(801,816)	(801,816)	924,064	1,725,880
Net Changes in Fund Balances	(700,000)	(617,443)	545,997	1,163,440
Fund Balances - Beginning	700,000	700,000	5,619,743	4,919,743
Fund Balances - Ending	\$ 0	\$ 82,557	\$ 6,165,740	\$ 6,083,183

MADISON COUNTY
BUDGETARY COMPARISON SCHEDULES - MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004 (Continued)

	ROAD FUND			
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts,	Final Budget
			(Budgetary	Positive
			Basis)	(Negative)
REVENUES				
Intergovernmental Revenue	\$ 1,473,775	\$ 1,660,503	\$ 1,657,636	\$ (2,867)
Miscellaneous	30,000	30,000	109,561	79,561
Interest	1,000	1,000	735	(265)
Total Revenues	<u>1,504,775</u>	<u>1,691,503</u>	<u>1,767,932</u>	<u>76,429</u>
EXPENDITURES				
Roads	2,044,536	2,441,654	2,282,519	159,135
Administration	333,657	212,267	188,360	23,907
Total Expenditures	<u>2,378,193</u>	<u>2,653,921</u>	<u>2,470,879</u>	<u>183,042</u>
Excess (Deficiency) of Revenues				
Over Expenditures	<u>(873,418)</u>	<u>(962,418)</u>	<u>(702,947)</u>	<u>259,471</u>
OTHER FINANCING SOURCES (USES)				
Transfers in from Other Funds	<u>823,418</u>	<u>823,418</u>	<u>570,000</u>	<u>(253,418)</u>
Total Other Financing Sources and Uses	<u>823,418</u>	<u>823,418</u>	<u>570,000</u>	<u>(253,418)</u>
Net Changes in Fund Balances	(50,000)	(139,000)	(132,947)	6,053
Fund Balances - Beginning	<u>50,000</u>	<u>50,000</u>	<u>164,256</u>	<u>114,256</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ (89,000)</u>	<u>\$ 31,309</u>	<u>\$ 120,309</u>

MADISON COUNTY
BUDGETARY COMPARISON SCHEDULES – MAJOR FUNDS
Required Supplementary Information
Modified Cash Basis
For The Year Ended June 30, 2004 (Continued)

	CSEPP FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 3,002,047	\$ 3,015,047	\$ 2,381,407	\$ (633,640)
Charges for Services	33,320	33,320	34,720	1,400
Miscellaneous	26,220	26,220	26,876	656
Interest	1,500	1,500	304	(1,196)
Total Revenues	<u>3,063,087</u>	<u>3,076,087</u>	<u>2,443,307</u>	<u>(632,780)</u>
EXPENDITURES				
Protection to Persons and Property	3,004,880	3,039,733	2,682,779	356,954
Administration	258,207	136,354	73,000	63,354
Total Expenditures	<u>3,263,087</u>	<u>3,176,087</u>	<u>2,755,779</u>	<u>420,308</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(200,000)</u>	<u>(100,000)</u>	<u>(312,472)</u>	<u>(212,472)</u>
OTHER FINANCING SOURCES (USES)				
Transfer Out to Other Funds			(100,000)	(100,000)
Total Other Financing Sources and Uses			<u>(100,000)</u>	<u>(100,000)</u>
Net Changes in Fund Balances	(200,000)	(100,000)	(412,472)	(312,472)
Fund Balances - Beginning	<u>200,000</u>	<u>200,000</u>	<u>633,409</u>	<u>433,409</u>
Fund Balances - Ending	<u>\$ 0</u>	<u>\$ 100,000</u>	<u>\$ 220,937</u>	<u>\$ 120,937</u>

**MADISON COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

For The Year Ended June 30, 2004

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

MADISON COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS

Other Supplementary Information

For The Year Ended June 30, 2004

MADISON COUNTY
COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

	<u>Special Revenue Funds</u>			
	<u>Jail Fund</u>	<u>LGEA Fund</u>	<u>E-911 Fund</u>	<u>Total Non-Major Governmental Funds</u>
ASSETS				
Cash	\$ 28,957	\$ 598,787	\$ 91,415	\$ 719,159
Total Assets	<u>\$ 28,957</u>	<u>\$ 598,787</u>	<u>\$ 91,415</u>	<u>\$ 719,159</u>
FUND BALANCES				
Fund Balances:				
Reserved for:				
Encumbrances	\$ 150		\$ 117	\$ 267
Unreserved:				
Special Revenue Funds	28,807	598,787	91,298	718,892
Total Fund Balances	<u>\$ 28,957</u>	<u>\$ 598,787</u>	<u>\$ 91,415</u>	<u>\$ 719,159</u>

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MADISON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

MADISON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004

	<u>Special Revenue Funds</u>			
	<u>Jail Fund</u>	<u>LGEA Fund</u>	<u>Goggins Lane Bridge Fund</u>	<u>CDBG Fund</u>
REVENUES				
Taxes				
Intergovernmental	1,058,700	206,590		
Charge for Services	138,954			
Miscellaneous	8,563			
Interest	168	3,509	33	
Total Revenues	<u>1,206,385</u>	<u>210,099</u>	<u>33</u>	
EXPENDITURES				
Protection to Persons and Property	1,307,981			
Roads				
Administration	179,722			
Total Expenditures	<u>1,487,703</u>			
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>(281,318)</u>	<u>210,099</u>	<u>33</u>	
Other Financing Sources (Uses)				
Transfers in from Other Funds	274,000			
Transfers Out to Other Funds			(32,507)	(557)
Total Other Financing Sources (Uses)	<u>274,000</u>		<u>(32,507)</u>	<u>(557)</u>
Net Change in Fund Balances	(7,318)	210,099	(32,474)	(557)
Fund Balances - Beginning	<u>36,275</u>	<u>388,688</u>	<u>32,474</u>	<u>557</u>
Fund Balances - Ending	<u>\$ 28,957</u>	<u>\$ 598,787</u>	<u>\$ 0</u>	<u>\$ 0</u>

MADISON COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS -
MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2004
(Continued)

Special
Revenue Funds

E-911 Fund	Total Non-Major Governmental Funds
\$ 200,595	\$ 200,595
101,857	1,367,147
10,000	148,954
2,483	11,046
1,976	5,686
<u>316,911</u>	<u>1,733,428</u>
	1,307,981
380,638	380,638
58,540	238,262
<u>439,178</u>	<u>1,926,881</u>
<u>(122,267)</u>	<u>(193,453)</u>
	274,000
	<u>(33,064)</u>
	<u>240,936</u>
(122,267)	47,483
<u>213,682</u>	<u>671,676</u>
<u>\$ 91,415</u>	<u>\$ 719,159</u>

**MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Fiscal Year Ended June 30, 2004

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison County.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report.
3. Two instances of noncompliance material to the financial statements of Madison County were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs are reported in the Independent Auditor's Report.
5. The auditor's report on compliance for the audit of the major federal awards programs for Madison County expresses an unqualified opinion.
6. There are no audit findings relative to the major federal awards programs for Madison County reported in Part C of this schedule.
7. The program tested as a major program was: Chemical Stockpile Emergency Preparedness Program (CSEPP) - CFDA #97.040
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Madison County was not determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

NONCOMPLIANCES

Reference Number 2004-1

The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits

On August 31, 2003, \$153,224 of the county's deposits of public funds were uninsured and unsecured. According to KRS 66.480(1)(d) and KRS 41.240(4), financial institutions maintaining deposits of public funds are required to pledge securities or provide surety bonds as collateral to secure these deposits if the amounts on deposit exceed the amount of insurance coverage provided by the Federal Deposit Insurance Corporation (FDIC). The county should require the depository institution to pledge or provide collateral in an amount sufficient to secure deposits of public funds at all times. We also recommend the county enter into a written agreement with the depository institution to secure the county's interest in the collateral pledged or provided by the depository institution. According to federal law, 12 U.S.C.A. § 1823(e), this agreement, in order to be recognized as valid by the FDIC, should be (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

County Judge/Executive Kent Clark's Response:

Fifth Third Bank was unable to produce pledges for our accounts, subsequently we no longer have any accounts with Fifth Third Bank.

MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2004
(Continued)

B. FINDINGS - FINANCIAL STATEMENT AUDIT (Continued)

NONCOMPLIANCES (Continued)

Reference Number 2004-2

The Fiscal Court Should Amend Budget For Expenditures Of Unanticipated Receipts

The General Fund budget was overspent by \$669,725. By preparing an amendment in accordance with KRS 68.280 to the General Fund for expenditure of receipts unanticipated in the original budget, the Fiscal Court could have avoided being in violation of KRS 68.300 which states any expenditure in excess of any budgeted fund shall be void. We recommend the Fiscal Court comply with KRS 68.280 and KRS 68.300.

County Judge/Executive Kent Clark's Response:

We will comply with all statutes pertaining to amendments in the future.

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM
AUDIT**

None

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Reference Number 2003-1: The Former County Treasurer failed to deposit and record all cash receipts. This finding has been corrected as the Former County Treasurer made restitution for receipts not deposited.

Reference Number 2003-2: The Former County Treasurer failed to have insurance premiums deducted from his paycheck. This finding has been corrected as the Former County Treasurer made restitution for insurance premiums not withheld from his paycheck.

Reference Number 2003-3: The Former County Treasurer failed to reconcile the Payroll Withholding Tax Account. This finding has been corrected. The Payroll Withholding Tax Account has been closed and all payroll liabilities are being paid from the Payroll Account.

Reference Number 2003-4: The County should require depository institutions to pledge or provide sufficient collateral and enter into a written agreement to protect deposits. This finding has not been corrected and is commented on in the current year findings.

Reference Number 2003-5: The Former County Treasurer intentionally overrode internal controls. This finding has been corrected with the resignation of the Former County Treasurer.

MADISON COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Fiscal Year Ended June 30, 2004
(Continued)

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS (Continued)

Reference Number 2003-6: Internal controls over Shelter In Place (SIP) kits and Tone Alert Radio (TAR) programs of the Chemical Stockpile Emergency Preparedness Program (CSEPP) should be implemented. This finding has been corrected. The CSEPP Director has implemented the following controls to ensure expenditures for the SIP kits and TAR programs are properly accounted for, and the inventories for these programs are accurately maintained:

- Inventories for the SIP kits and TAR programs are being maintained.
- SIP kits are no longer being left for residents if they are not home at time of delivery. Signatures are required of residents receiving SIP kits and TARs, enabling the CSEPP Director to keep a running total of the inventory.
- The CSEPP Director reviews all payments for SIP kits and TAR Program. (i.e. delivery/installation/re-canvas)

MADISON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Other Supplementary Information

MADISON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

Fiscal Year Ended June 30, 2004

Federal Grantor		
Program Title	Pass-Through	
<u>Grant Name (CFDA #)</u>	<u>Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U. S. Department of Commerce</u>		
Passed-Through Bluegrass PRIDE, Inc.		
PRIDE Community Grant Program	CS-03-06	\$ 3,385
Environmental Education Grant Program	EF-03-17	3,000
(CFDA #11.469)		
Total U. S. Department of Commerce		\$ 6,385
Direct Program:		
Surveys, Studies, Investigations and		
Special Purpose Grants-		
Madison County Wastewater Collection System		
(CFDA # 66.606)	Not Available	\$ 25,560
<u>U. S. Department of Homeland Security</u>		
Passed-Through State Department		
of Military Affairs:		
Weapons of Mass Destruction		
(CFDA # 97.004)	Not Available	\$ 126,440
Chemical Stockpile Emergency		
Preparedness Program		
(CFDA # 97.040)		
Disaster and Emergency	M-02405489	2,878,138
Assistance Grants-		
Coordinator Salary		
(CFDA #97.042)	Not Available	7,332
Total U. S. Department of Homeland Security		\$ 3,011,910
Total Cash Expenditures of Federal Awards		\$ 3,043,855

MADISON COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Year Ended June 30, 2004
Other Supplementary Information
(Continued)

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	Pass-Through <u>Grantor's Number</u>	<u>Expenditures</u>
Noncash Programs:		
<u>U.S. Department of Agriculture</u>		
Passed-Through State Department of Agriculture:		
Jail Commodity Program (CFDA #10.550)	Not Available	\$ <u>1,474</u>
Total Noncash Expenditures of Federal Awards		\$ <u><u>1,474</u></u>

MADISON COUNTY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Other Supplementary Information

Fiscal Year Ended June 30, 2004

Note 1 - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Madison County, Kentucky and is presented on a modified cash basis of accounting, except for the noncash programs, which represents commodities received and distributed by the county. The dollar value of these commodities has been provided by the Department of Agriculture. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

Note 2 - The federal expenditures for the Chemical Stockpile Emergency Preparedness Program include payments to the following subrecipients:

<u>Subrecipient</u>	<u>Pass-through Grant Amount</u>
Madison County Board of Education	\$ 97,446
Eastern Kentucky University	74,382

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kent Clark, Madison County Judge/Executive
Members of the Madison County Fiscal Court

Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Madison County, Kentucky, as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements, as listed in the table of contents and have issued our report thereon dated November 15, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Madison County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Madison County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under Government Auditing Standards and which are described in the schedule of findings and questioned costs.

- Reference Number 2004-1: The County Should Require Depository Institutions To Pledge Or Provide Sufficient Collateral And Enter Into A Written Agreement To Protect Deposits
- Reference Number 2004-2: The Fiscal Court Should Amend Budget For Expenditures Of Unanticipated Receipts



Report On Internal Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management, Madison County Fiscal Court, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 15, 2004

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Kent Clark, Madison County Judge/Executive
Members of the Madison County Fiscal Court

**Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133**

Compliance

We have audited the compliance of Madison County, Kentucky, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Madison County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Madison County's management. Our responsibility is to express an opinion on Madison County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Madison County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Madison County's compliance with those requirements.

In our opinion, Madison County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of Madison County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Madison County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Report On Compliance With Requirements
Applicable To Each Major Program And On Internal Control
Over Compliance In Accordance With OMB Circular A-133
(Continued)

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of management, Madison County Fiscal Court, federal awarding agencies, and pass-through entities, and is not intended to be and should not be used by anyone other than the specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

Audit fieldwork completed -
November 15, 2004

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

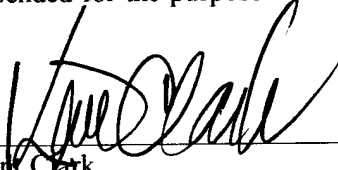
MADISON COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2004**


CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
MADISON COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2004

The Madison County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Kent Clark
County Judge/Executive



Glenna Baker
County Treasurer

